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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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REPORT NO. [REDACTED]

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THIS IS UNEVALUATED INFORMATION

SOURCE [REDACTED]

- 25X1X 1. The Soviet Military Bank in Austria (Voyenny Bank Soyuz SSR # 2111) was located in Vienna I, Trattnerhof 1, first floor. The bank was probably organized in 1946 or 1947 with the purpose of facilitating operation of Soviet-owned enterprises in Austria and of providing financial means for the Soviet occupation troops. [REDACTED]

- 25X1X 2. [REDACTED] the history of the organization of the bank was as follows:

- a. The seizure of "German assets" in Austria by the Soviet government had never been officially recognized by the Austrian government. This fact created a peculiar situation with regard to the legal position of enterprises and caused a great many difficulties, especially in lawsuits and court proceedings regarding various claims made before Austrian courts. During the initial period of operation of Soviet-owned enterprises in Austria (USIA and others), the claims and lawsuits of these enterprises were normally rejected by Austrian courts on the grounds that such enterprises were not legally existent since they had not been entered in industrial registers or, if they were entered (former Austrian firms which retained their original names), other persons or organizations appeared in the registers as their owners or administrators. Enterprises which were created by the Soviet administration or those which had changed their names were in the most difficult position. However, this attitude of the Austrian courts lasted only as long as there were no lawsuits against the Soviet-owned enterprises. Later, when these enterprises were conducting business transactions with non-Soviet-owned firms and private individuals and had employed a large number of Austrian nationals, there began to be lawsuits against the Soviet-owned enterprises as well. In order to protect the interests of non-Soviet firms and individuals, the Austrian courts had to revise their attitude and officially recognize the Soviet-owned enterprises.

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- b. As one of the counter measures for non-recognition of Soviet-owned enterprises by the Austrian government, the Soviet Administration in Austria organized the Soviet Military Bank. In addition to it being a retaliation measure, there were four compelling reasons, [REDACTED] for organizing such a bank:

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- (1) To prevent the leak of industrial and financial information in regard to Soviet-owned enterprises. Financial records of a bank representing an industrial enterprise provide a great deal of material for industrial and financial intelligence which would have become available to unauthorized persons if the representation were handled by the Austrian National Bank or any other Austrian Bank.
- (2) To collect the profits of banking transactions, not giving them to Austrian banks.
- (3) To provide cash for the operation of Soviet-owned enterprises in Austria and, at the same time, prevent the leak of information about the tremendous cash shortages of Soviet-owned enterprises which were becoming more and more acute. The acuteness of the cash shortage was a logical result of several Austrian governmental decrees, prohibiting Austrian firms from conducting any business transactions with Soviet-owned enterprises on the ground that the largest part of raw materials for operation of these enterprises had been imported without duty being paid to the Austrian government and that these enterprises refused to pay income tax to the Austrian government. As a result, the Austrian internal market practically became barred to the disposal of Soviet-owned goods and this most important source of cash acquisition was lost.
- (4) To avoid payment of income tax to the Austrian government. If the cash of Soviet-owned enterprises was kept in Austrian banks, the Austrian government would be able to collect taxes due by simply blocking the bank account of the Soviet enterprise concerned.

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3. [REDACTED] offices of the Soviet State Bank organized in East Germany. Even if this were the case in East Germany, the legal status of the Austrian state and the Austrian government was quite different from that of East Germany. This, [REDACTED] was the reason that instead of an office of the Soviet State Bank, a special Military Bank was organized in Austria. Namely, it was quite obvious that the Austrian government would never grant legal recognition to an office of the Soviet State Bank located on Austrian territory whereas it was quite powerless to prevent the organization of a Soviet Military Bank which title itself indicates the direct connection of such a bank to the Soviet occupation forces. The title was probably selected in order to create the above impression, which was certainly not exactly the correct one.

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4. [REDACTED] the subordination of the Soviet Military Bank. He never heard of any kind of direct or indirect subordination of this bank to the Soviet State Bank or to the Commanding General of the Soviet occupation forces in Austria. Most probably, the bank was directly subordinate to the Finance Ministry in Moscow.

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- 25X1X 5. The director of the Soviet Military Bank was SAVANIN. A senior economist with the bank was a Soviet national by the name of Lev PINSKIY. The secretary of the bank was Miss Aleksandra MILYAYEVA. No details on organization available. [REDACTED] there were two sections within the bank but their titles and responsibilities are unknown [REDACTED]
- 25X1X 6. All financial transactions among the Soviet-owned enterprises in Austria had to be effected through the Soviet Military Bank. The enterprises were also directed to deposit their cash in rubles and schillings to the bank daily. [REDACTED] general rule which was applicable in the USSR, that enterprises were not authorized to keep more than 1,000 rubles at the enterprise, was also enforced in Austria.
7. A rather peculiar situation often arose when some of the few Austrian enterprises which conducted business with Soviet-owned enterprises in spite of the governmental prohibition had to deposit money for the Soviet-owned enterprises in the Military Bank. They usually refused to do so in order to avoid leaving evidence of the transaction and used their Austrian Post Office accounts instead. The post office, however, would not release the money upon the request of the director of the Soviet-owned enterprise. For this particular purpose, the Soviet-owned enterprise could not help but use the services of the Austrian governmental trustee appointed to manage the enterprise. It should be borne in mind that, as in the Western Zones of Austria, the Austrian government, never having officially recognized the seizure of enterprises by the Soviets, appointed trustees for all former German assets in the Soviet Zone of Austria. Reciprocally, the Austrian government did not recognize the Soviet administrators of former German enterprises in the Soviet Zone of Austria and the Soviet administration did not recognize the trustees appointed by the Austrian government. Several directives were received from Moscow at various times advising Soviet-owned enterprises to get rid of "illegal" trustees. The enterprises attempted to do this by all possible and impossible procedures, including taking the trustees off the payroll of the enterprises (trustees were supposed to be paid by the enterprises), barring their access to records and statements of the enterprises, and even sealing off their offices. All this was fine as long as the enterprise did not need the services of the trustees, but when there were several hundred thousand schillings at the post office for the enterprise and the Austrian government trustee was the only person authorized to draw this money, the Soviet-owned enterprise director had to swallow his pride and beg the trustee to do so. The latter, in turn, would first request his reinstatement, access to the enterprise records, his forfeited pay, and the unsealing of his office.
8. Drawing cash deposits from the Soviet Military Bank was always difficult but from 1951 on it became quite a problem because of the acute shortage of cash. To secure sufficient financial means for wages, the Soviet-owned enterprises quite often "forgot" to deposit their cash to the bank and preferred to keep it either at the enterprise or at the Austrian post office, the latter, of course, only when the relationship of the Soviet enterprise director and the Austrian trustee was on a more or less working basis. A certain number of trustees, as long as they received their salaries from the enterprises, did not much care what the enterprise did and co-operated with the Soviet administration to a certain extent.

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- 25X1X 9. The main sources of cash supply of the Soviet Military Bank in Austria were the Austrian-Soviet Retail Oil Selling Organization (OROP) and the various ORTs which acquired schilling instruments on the internal Austrian market. [REDACTED] if it had not been for these two means, the vaults of the Soviet Military Bank would have been empty constantly.
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